

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature		Printed Name		License Number

West Bloomfield Township Public Library

**Financial Report
with Supplemental Information
March 31, 2007**

West Bloomfield Township Public Library

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Independent Auditor's Report

To the Board of Directors
West Bloomfield Township Public Library

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Bloomfield Township Public Library (a component unit of the Charter Township of West Bloomfield) as of and for the year ended March 31, 2007, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Bloomfield Township Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Bloomfield Township Public Library as of and for the year ended March 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

August 13, 2007

West Bloomfield Township Public Library

Management's Discussion and Analysis

This discussion and analysis of West Bloomfield Township Public Library's (the "Library") financial performance provides an overview of the Library's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Library's financial statements.

Using this Annual Report

The General Fund is presented on the modified-accrual basis of accounting, which is a short-term view that tells us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. This information is then adjusted to the full-accrual basis to present a longer-term view of the Library as a whole. This longer-term view uses the full-accrual basis of accounting so that it can measure the true cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing library services.

The General Fund modified-accrual basis financial statements provide detailed information about the Library's current financial resources. This information is important as it demonstrates compliance with various state laws and shows the stewardship of the Library's annual property tax and other revenue.

The Library's full-accrual basis financial statements present information about the Library's total economic resources, including long-lived assets and long-term obligations. This information is important as it recognizes the long-term ramifications of decisions made by the Library on an ongoing basis.

Condensed Financial Information (Full-accrual Basis)

The following table below shows key financial information in a condensed format:

TABLE I	March 31, 2007	March 31, 2006
Assets		
Current assets	\$ 7,745,617	\$ 6,985,053
Capital assets	<u>14,986,485</u>	<u>15,175,163</u>
Total assets	22,732,102	22,160,216
Liabilities		
Current liabilities	1,146,546	1,165,800
Other noncurrent liabilities	<u>4,189,182</u>	<u>4,978,107</u>
Total liabilities	<u>5,335,728</u>	<u>6,143,907</u>
Net Assets		
Investment in capital assets	10,236,485	9,650,163
Unrestricted	<u>7,159,889</u>	<u>6,366,146</u>
Total net assets	<u><u>\$ 17,396,374</u></u>	<u><u>\$ 16,016,309</u></u>

West Bloomfield Township Public Library

Management's Discussion and Analysis (Continued)

TABLE 2	Year Ended March 31, 2007	Year Ended March 31, 2006
Revenue		
Property taxes	\$ 5,709,218	\$ 5,454,564
Other	729,912	767,197
Total revenue	6,439,130	6,221,761
Expenses - Library services	5,059,065	4,997,073
Changes in Net Assets	<u><u>\$ 1,380,065</u></u>	<u><u>\$ 1,224,688</u></u>

Full-accrual Analysis

The full-accrual statement of activities shows an increase in net assets of \$1,380,065. This reflects that taxpayers, current users, and supporters of the Library's services and facilities have paid the full cost of operating the Library, even after consideration of the depreciation of long-lived assets and the recognition of future obligations.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations and future capital projects, total \$7,159,889. Unrestricted net assets increased during the year by \$793,743, which is consistent with the decrease in the principal balance of the Library's capital lease obligation to West Bloomfield Township.

Modified-accrual Analysis

The General Fund pays for all of the Library's services. The most significant are personnel and related staffing expenses of \$2,289,397, which account for 52 percent of the total operating expenditures. Capital outlay of \$908,868 includes purchases of books, media in a variety of formats, magazines, and newspapers and totals 21 percent of the total operating expenditures. Transfers totaling \$1,965,422 were made to the Debt Service Fund to pay the current year portion of the capital lease payable to West Bloomfield Township and the other funds, such as the Capital Improvements and Automation Develop Fund, to pay for future capital projects and obligations, such as future replacement of carpeting, parking lot, furniture, roofing, HVAC equipment, computers and other related information technology equipment, etc. After transfers, fund balance in the General Fund increased by \$23,906 in fiscal year 2006/2007. Total governmental fund balance increased by \$697,818. Fund balance increased \$590,426 in fiscal year 2005/2006.

West Bloomfield Township Public Library

Management's Discussion and Analysis (Continued)

Budgetary Highlights

As required by State of Michigan law, the Library amended the budget to take into account events during the year.

In the General Fund, operating income exceeded the budgeted amount by \$23,906. The Library has traditionally budgeted revenue to equal expenditures, with excess monies transferred to other funds in order to accumulate fund balance for future capital replacement and improvements, both planned and unforeseen, per Library board established financial guidelines.

Actual revenues were less than budgeted due to an accounting adjustment to contract for services revenue.

Actual expenditures were \$98,154 less than the budget for the year, primarily due to savings on salaries and benefits for unpaid leaves of absence and transitional time between position vacancies.

Capital Asset and Debt Administration

At the end of 2007, the Library had \$14,986,485 invested in a broad range of capital assets, including buildings, collections, furniture, and equipment (see Note 6 to the financial statements).

The Library continues to make its annual debt service payments to West Bloomfield Township for the capital lease obligation related to construction cost for the renovation and expansion of the Library's Main and Westacres branches. As of March 31, 2007, the outstanding balance is \$4,750,000.

Since the West Bloomfield Township Public Library does not have bonding authority, the West Bloomfield Township Building Authority handles such matters on behalf of the Library. The Township currently holds an AA credit rating with Standard and Poor's.

Economic Factors and Next Year's Budget

The Library will continue, in the 2007/2008 budget, its tradition of budgeting revenue to equal expenditures, with excess monies transferred to other funds in order to provide for future large-scale capital replacement and improvements. For the Library's 2007/2008 budget, operational expenditure increases generally reflect expected inflation of approximately 5 percent.

In the coming year, the Library plans to increase the amount spent on capital outlay in order to expand the collection of circulating materials (books and media) at both facilities based on survey input received from users and actual material circulation patterns. The Library also plans to install a digital security surveillance camera system at both facilities based on recommendations provided by the West Bloomfield Police Department's security audit and install concrete curbing around the parking lot at the Westacres Branch.

West Bloomfield Township Public Library

Management's Discussion and Analysis (Continued)

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Clara Bohrer, at (248) 682-2120.

West Bloomfield Township Public Library

	Individual Library Funds				
	Major Funds			Nonmajor Funds	
	General Fund	Debt Service Fund - Debt Retirement	Capital Projects	Accrued Employee Benefits Fund	Endowment Fund
			Fund - Capital Improvements and Automation		
Assets					
Cash and cash equivalents (Note 4)	\$ 7,372,394	\$ -	\$ -	\$ -	\$ -
Receivables:					
Property taxes (Note 1)	372,083	-	-	-	-
Other	898	-	-	-	-
Other assets	242	-	-	-	-
Due from General Fund/internal balances	-	983,519	2,507,349	534,180	111,935
Capital assets not being depreciated (Note 6)	-	-	-	-	-
Capital assets being depreciated (Note 6)	-	-	-	-	-
Total assets	\$ 7,745,617	\$ 983,519	\$ 2,507,349	\$ 534,180	\$ 111,935
Liabilities					
Accounts payable	\$ 121,199	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	76,337	-	-	-	-
Long term debt - Current portion (Note 7)	-	-	-	-	-
Deferred revenue	467,083	-	-	-	-
Due to other funds/internal balances	4,136,983	-	-	-	-
Long term debt - Net of current portion (Note 7)	-	-	-	-	-
Total liabilities	4,801,602	-	-	-	-
Fund Balances - Unreserved - Designated (Note 5)	2,944,015	983,519	2,507,349	534,180	111,935
Total liabilities and fund balances	\$ 7,745,617	\$ 983,519	\$ 2,507,349	\$ 534,180	\$ 111,935
Net Assets					
Invested in capital assets					
Unrestricted					
Total net assets					

Individual Funds Balance Sheets/Statement of Net Assets
March 31, 2007

		Library as a Whole
Total - Modified- accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
\$ 7,372,394	\$ -	\$ 7,372,394
372,083	-	372,083
898	-	898
242	-	242
4,136,983	(4,136,983)	-
-	143,593	143,593
-	14,842,892	14,842,892
<u>\$ 11,882,600</u>	10,849,502	22,732,102
\$ 121,199	-	121,199
76,337	79,010	155,347
-	775,000	775,000
467,083	(372,083)	95,000
4,136,983	(4,136,983)	-
-	4,189,182	4,189,182
4,801,602	534,126	5,335,728
7,080,998	(7,080,998)	-
<u>\$ 11,882,600</u>		
	10,236,485	10,236,485
	7,159,889	7,159,889
	<u>\$ 17,396,374</u>	<u>\$ 17,396,374</u>

West Bloomfield Township Public Library

	Individual Library Funds				
	Major Funds			Nonmajor Funds	
	General Fund	Debt Service Fund - Debt Retirement	Capital Projects	Accrued Employee Benefits Fund	Endowment Fund
			Fund - Capital Improvements and Automation		
Revenue					
Property tax (Note 1)	\$ 5,657,250	\$ -	\$ -	\$ -	\$ -
State aid	73,623	-	-	-	-
Charges for services	68,074	-	-	-	-
Fines and fees	154,358	-	-	-	-
Penal fines	151,663	-	-	-	-
Interest	225,603	-	-	-	-
Contributions	42,857	-	-	-	-
Miscellaneous	13,734	-	-	-	-
Total revenue	6,387,162	-	-	-	-
Expenditures					
Personnel services	2,289,397	-	-	-	-
Supplies	118,034	-	-	-	-
Professional and contractual	353,631	-	-	-	-
Communications	13,932	-	-	-	-
Staff development	46,656	-	-	-	-
Community promotion	66,577	-	-	-	-
Insurance and bonds	50,838	-	-	-	-
Utilities	244,443	-	-	-	-
Repairs and maintenance and automation purchases	288,348	-	-	-	-
Rentals	9,810	-	-	-	-
On-line reference	7,300	-	-	-	-
Capital outlay	908,868	-	272,335	-	-
Depreciation	-	-	-	-	-
Lease payment on West Bloomfield Township Building Authority bonds (Note 7)	-	1,019,175	-	-	-
Total expenditures	4,397,834	1,019,175	272,335	-	-
Excess of Revenue Over (Under) Expenditures	1,989,328	(1,019,175)	(272,335)	-	-
Other Financing Sources (Uses)					
Operating transfers in	-	983,138	844,486	110,435	27,363
Operating transfers out	(1,965,422)	-	-	-	-
Total other financing sources (uses)	(1,965,422)	983,138	844,486	110,435	27,363
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	23,906	(36,037)	572,151	110,435	27,363
Fund Balance/Net Assets - Beginning of year	2,920,109	1,019,556	1,935,198	423,745	84,572
Fund Balance/Net Assets - End of year	<u>\$ 2,944,015</u>	<u>\$ 983,519</u>	<u>\$ 2,507,349</u>	<u>\$ 534,180</u>	<u>\$ 111,935</u>

**Individual Funds Statements of Revenue, Expenditures, and Changes
in Fund Balance/Statement of Activities
Year Ended March 31, 2007**

		Library as a Whole
Total - Modified- accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full- accrual Basis
\$ 5,657,250	\$ 51,968	\$ 5,709,218
73,623	-	73,623
68,074	-	68,074
154,358	-	154,358
151,663	-	151,663
225,603	-	225,603
42,857	-	42,857
13,734	-	13,734
6,387,162	51,968	6,439,130
2,289,397	(13,925)	2,275,472
118,034	-	118,034
353,631	-	353,631
13,932	-	13,932
46,656	-	46,656
66,577	-	66,577
50,838	-	50,838
244,443	-	244,443
288,348	-	288,348
9,810	-	9,810
7,300	-	7,300
1,181,203	(932,273)	248,930
-	1,120,951	1,120,951
1,019,175	(805,032)	214,143
5,689,344	(630,279)	5,059,065
697,818	682,247	1,380,065
1,965,422	(1,965,422)	-
(1,965,422)	1,965,422	-
-	-	-
697,818	682,247	1,380,065
6,383,180	9,633,129	16,016,309
\$ 7,080,998	\$ 10,315,376	\$ 17,396,374

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the West Bloomfield Township Public Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library, a component unit of the Charter Township of West Bloomfield, is governed by an autonomous six-member board of trustees elected on a non-partisan basis under Michigan Public Act 164. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in the Library's financial report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both the Library as a whole and its individual fund financial statements.

Library as Whole Financial Statements

The Library as a whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense. Debt service expense is eliminated as the outstanding debt balance is reduced on the statement of net assets.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the library-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to debt service, compensated absences, and claims and judgments are recorded only when payment is due. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Library's policy is to first apply restricted resources.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Debt Service Fund - Debt Retirement Fund - The Debt Retirement Fund is used to account for the annual payments of principal, interest, and expenses in connection with the Library facility renovation and addition.

Capital Projects Fund - Capital Improvements and Automation - The Capital Improvements and Automation Fund accounts for certain capital improvements and automation expenditures designated by the Library board that are intended to be funded by amounts periodically set aside from the Library General Fund.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Property Taxes - Property tax receivables are shown as net of allowance for uncollectible amounts, if deemed necessary. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the Library totaled approximately \$4 billion, on which ad valorem taxes levied consisted of 1.4230 mills for the Library's operating purposes. The ad valorem taxes levied raised approximately \$5,657,000 for operations and is recognized in the General Fund financial statements as tax revenue.

Capital Assets - Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture and equipment, and library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Building improvements	20 years
Shelving	15 years
Furniture	10 years
Equipment	8 years
Library collection	7 years
Computers	5 years

Deferred Revenue - At March 31, 2007, there were \$372,083 of property taxes that were billed and are expected to be collected during the year ending March 31, 2008. That amount has been recorded as deferred revenue since the amount was not available for use to finance operations as of year end.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

The Library received \$95,000 of service contract revenue during the year ended March 31, 2007 that will be earned and recorded as revenue during the year ending March 31, 2008. That amount has been recorded as deferred revenue as of March 31, 2007.

Compensated Absences (Vacation and Sick Leave) - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the library-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, debt service payments are recognized during the current period. The face amount of debt issued is reported as other financing sources.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 2 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheets and statements of revenue, expenditures, and change in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 7,080,998
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	14,986,485
Deferred revenue is recorded in the funds for property tax revenue not available within 30 days of year end	372,083
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(4,750,000)
Compensated absences are included as a liability	(214,182)
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(79,010)</u>
Total Net Assets - Full Accrual Basis	<u>\$ 17,396,374</u>

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 2 - Reconciliation of the Library as a Whole and the Individual Fund Financial Statements (Continued)

Net Change in Fund Balances - Modified Accrual Basis	\$ 697,818
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books and audiovisual materials	832,046
Capital outlay	376,454
Depreciation	(1,120,951)
Loss on disposal of assets is not recorded in the funds	(276,227)

Revenue is not recorded in the funds for property taxes collected more than 30 days after year end	51,968
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Decrease in accrued interest reported as a reduction to interest expense in the statement of activities, but not in the fund statements	30,032
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Capital lease payments are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	775,000
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Decrease in the accrual for long-term compensated absences reported as an expenditure in the statement of activities but not in the fund financial statements	<u>13,925</u>
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Change in Net Assets - Full Accrual Basis	<u>\$ 1,380,065</u>
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Note 3 - Budget Information

The annual budget is prepared and adopted by the Library board and subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2007 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers have been budgeted in the revenue and expenditures rather than as other financing sources and uses. During the current year, the budget was amended in a legally permissible manner.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 3 - Budget Information (Continued)

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund can be found in the required supplemental information section. The Library does not prepare a budget for the other funds.

Excess of Expenditures over Appropriations in Budgeted Funds - During the year, there were no significant expenditures in excess of the amounts budgeted.

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, all of the Library's bank deposits (checking and savings accounts) are insured and collateralized. The Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk levels are used as depositories.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 4 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Governmental investment pool	\$ 7,305,184	AI, PI	Moody's, S&P

Note 5 - Designated Fund Balances

The West Bloomfield Township Public Library board has designated all of the General Fund's fund balance for future expenditures (to provide sufficient working capital to operate the Library from the beginning of its fiscal year, April 1, until property taxes are received in December) and has designated the Capital Improvements and Automation Fund's fund balance for future capital needs. In addition, the fund balances of the Accrued Employee Benefits Fund, Endowment Fund, and the Debt Retirement Fund are designated for employee benefits, endowment projects, and debt retirement, respectively.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 6 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance April 1, 2006	Additions	Disposals and Adjustments	Balance March 31, 2007
Capital assets not being depreciated -				
Land and land improvements	\$ 143,593	\$ -	\$ -	\$ 143,593
Capital assets being depreciated:				
Building and improvements	13,817,385	-	-	13,817,385
Computers, furniture, and equipment	2,207,998	376,454	(231,525)	2,352,927
Library books and audiovisual materials	<u>4,987,510</u>	<u>832,046</u>	<u>(705,864)</u>	<u>5,113,692</u>
Subtotal	21,012,893	1,208,500	(937,389)	21,284,004
Accumulated depreciation:				
Building and improvements	(1,688,670)	(308,643)	-	(1,997,313)
Computers, furniture, and equipment	(1,120,402)	(270,497)	219,503	(1,171,396)
Library books and audiovisual materials	<u>(3,172,251)</u>	<u>(541,811)</u>	<u>441,659</u>	<u>(3,272,403)</u>
Subtotal	<u>(5,981,323)</u>	<u>(1,120,951)</u>	<u>661,162</u>	<u>(6,441,112)</u>
Net capital assets being depreciated	<u>15,031,570</u>	<u>87,549</u>	<u>(276,227)</u>	<u>14,842,892</u>
Net capital assets	<u>\$ 15,175,163</u>	<u>\$ 87,549</u>	<u>\$ (276,227)</u>	<u>\$ 14,986,485</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$1,120,951 for the year ended March 31, 2007.

Note 7 - Long-term Debt

Outstanding Debt

The long-term debt of the Library consists of accumulated employee benefits of \$214,812 and a contractual lease obligation with West Bloomfield Township for the Library building with an outstanding principal balance of \$4,750,000 as of March 31, 2007. Accrued interest payable on the lease obligation as of March 31, 2007 was \$79,010.

The terms of the capital lease with West Bloomfield Township call for the Library to make the scheduled principal and interest payments on the general obligation bonds issued by the Township in 1997. The original bond issue totaled \$10,850,000. The bonds bear interest at rates between 4.5 percent and 4.8 percent and mature through 2012. The current portion of the outstanding principal balance is \$775,000 as of March 31, 2007.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 7 - Long-term Debt (Continued)

The accumulated employee benefits represent the estimated liability to be paid to employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn vacation and sick time based on time of service with the Library.

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Library for the year ended March 31, 2007:

	Remaining Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease obligation with West Bloomfield Township for the Library building						
Original issue: \$10,850,000						
Maturing through 2012	4.5%-4.8%	\$ 5,525,000	\$ -	\$ (775,000)	\$ 4,750,000	\$ 775,000
Compensated absences		228,107	-	(13,925)	214,182	-
Total long-term debt		<u>\$ 5,753,107</u>	<u>\$ -</u>	<u>\$ (788,925)</u>	<u>\$ 4,964,182</u>	<u>\$ 775,000</u>

Debt Service Requirements

Annual debt service requirements to service all debt outstanding (excluding compensated absences) including both principal and interest, as of March 31, 2007 are as follows:

Fiscal Year Ending March 31	Principal	Interest	Total
2008	\$ 775,000	\$ 207,838	\$ 982,838
2009	775,000	171,413	946,413
2010	800,000	134,200	934,200
2011	800,000	96,000	896,000
2012	800,000	49,200	849,200
2013	800,000	27,600	827,600
Total	<u>\$ 4,750,000</u>	<u>\$ 686,251</u>	<u>\$ 5,436,251</u>

Interest

Total interest incurred for the Library for the year was approximately \$244,000.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 8 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for workers' compensation, health, and disability claims, and participates in the state pool program of the Michigan Municipal Risk Management Authority for claims relating to general liability and property. The Library is uninsured for unemployment claims. There were no claims made during the fiscal year ended March 31, 2007 and the Library has no liability as of March 31, 2007 for unemployment claims incurred to date. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program. Member premiums are used to purchase excess insurance, which is partly underwritten by the Authority.

Note 9 - Defined Contribution Retirement Plan

The Library provides pension benefits to certain full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of service. Participating employees are required to contribute 5 percent of their gross earnings. As established by the West Bloomfield Township Library Pension Trust, the Library makes a discretionary contribution of 7.5 percent of employee gross earnings. In accordance with these requirements, the Library contributed approximately \$79,500 during the current year, and the employees contributed approximately \$53,000.

Note 10 - Postemployment Benefits

The Library provides postemployment health care benefits to all full-time employees hired before December 11, 2006 who retire at age 62 with 20 or more years of continuous full-time service. For employees hired after December 11, 2006, 25 years of continuous full-time service is required to receive the benefit. Currently one employee is eligible. The Library included pre-Medicare retirees in its insured health care plan with no contribution required by the participant. The Library purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due. During the year, this amounted to approximately \$21,100.

West Bloomfield Township Public Library

Notes to Financial Statements March 31, 2007

Note 10 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the Library as a whole to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

Required Supplemental Information

West Bloomfield Township Public Library

Required Supplemental Information Budgetary Comparison Statement General Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenues				
Property taxes	\$ 5,535,183	\$ 5,654,455	\$ 5,657,250	\$ 2,795
State aid	50,000	73,600	73,623	23
Contract for services	153,500	162,790	68,074	(94,716)
Fines and fees	151,000	148,200	154,358	6,158
Penal fines	90,000	151,600	151,663	63
Interest	54,575	215,500	225,603	10,103
Endowment gifts	-	42,805	42,857	52
Miscellaneous	300	12,460	13,734	1,274
Total revenues	6,034,558	6,461,410	6,387,162	(74,248)
Expenditures				
Personnel services	2,470,165	2,322,800	2,289,397	33,403
Supplies	135,408	121,300	118,034	3,266
Professional and contractual services	489,430	370,755	353,631	17,124
Communications	20,800	17,000	13,932	3,068
Staff development and transportation	52,920	51,920	46,656	5,264
Community promotion	68,000	68,000	66,577	1,423
Insurance and bonds	54,000	54,000	50,838	3,162
Utilities	251,000	253,700	244,443	9,257
Repairs and maintenance	319,880	298,800	288,348	10,452
Rentals	21,000	11,000	9,810	1,190
Online cataloging services	13,600	10,900	7,300	3,600
Capital outlay	844,078	915,863	908,868	6,995
Transfers to other funds	1,294,277	1,965,372	1,965,422	(50)
Total expenditures	6,034,558	6,461,410	6,363,256	98,154
Excess of Revenue Over Expenditures	-	-	23,906	23,906
Fund Balance - Beginning of year	2,920,109	2,920,109	2,920,109	-
Fund Balance - End of year	<u>\$ 2,920,109</u>	<u>\$ 2,920,109</u>	<u>\$ 2,944,015</u>	<u>\$ 23,906</u>

August 13, 2007

To the Board of Trustees
West Bloomfield Township Public Library
4600 Walnut Lake Road
West Bloomfield, MI 48323

Dear Board Members,

We recently completed our audit of the basic financial statements of West Bloomfield Township Public Library for the year ended March 31, 2007. As a result of our audit, we have the following comments for your review.

Over the last several years, we have used this letter to communicate our recommendations for improvements to the Library's internal control structure. To date, all of our suggestions have been implemented. We congratulate the Library for creating a very strong internal control environment. At this time, we do not have any further suggestions.

New Audit Standards

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standard (Statement on Auditing Standards No. 112, referred to as SAS 112) requires us to inform you about any matters noted in your accounting procedures or internal controls that the new auditing standards define as a "significant deficiency" or "material weakness." The new threshold for a "significant deficiency" is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have sometimes provided comments of this nature as part of a draft meeting with management. Only material internal control issues have been included in our letter. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the Library board members in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the financial statements of Bloomfield Township Public Library as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. During the audit, we did not note any significant deficiency or combination of significant deficiencies that we consider to be a material weakness.

In anticipation of this new standard, Plante & Moran, PLLC discussed with the library director a one-time adjustment to the Library's records related to the contract revenue received from Orchard Lake, Keego Harbor, and Sylvan Lake. The library director agreed to make the adjustment which resulted in the Library's contract revenue being less than budgeted by approximately \$95,000 in the current year. Deferred revenue for the same amount has been recorded on the balance sheet as of March 31, 2007. This is not considered a significant deficiency or material weakness.

A second new standard was also implemented as of December 31, 2006. Statement on Auditing Standards No. 103, *Audit Documentation* (referred to as SAS 103), required many changes to our audit workpapers, most of which would not be apparent to the Library. The one significant change resulting from SAS 103 that the Library would notice is the change to the date of the auditor's opinion letter and this management letter. Historically, these letters have been dated as of the end of our audit fieldwork. By implementing SAS 103, the date is extended to the point in time when Library's management has asserted its responsibility for the financial statements. We consider this point in time to be the date of the audit draft meeting.

Upcoming Auditing Standards

Effective December 31, 2007, in time for next year's audit, the Library will be required to implement several additional audit standards. These standards will require the auditors to perform significant additional procedures related to the Library's internal controls. This is an excellent opportunity to review the controls that are in place at the Library and create internal documentation regarding the design of the internal control environment.

The Governmental Accounting Standards Board has also recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the Library as a whole to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

As always, Plante & Moran, PLLC is available to assist you in implementing the new standards.

We would like to thank all of the Library's personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC



David H. Helisek



Brian J. Camiller